

JUL 13 1936

The MANAGEMENT REVIEW

A·M·A

Volume XXV, No. 7

July, 1936

In This Issue

Current Comment

Industry and the Public, by Eugene G. Grace

The Management Index

Science in Industry. *Chemical Industries.*

Are Higher Taxes Necessary? *The Magazine of Wall Street.*

Making Conferences Really Work. *The Office Economist.*

Twelve Places to Cut Costs. *American Business.*

The School House by the Mill. *Factory Management and Maintenance.*

Insuring Insurance. *The Weekly Underwriter.*

And 36 others.

Survey of Books for Executives

How to Use Psychology in Business, by Donald A. Laird.
Reviewed by Edward N. Hay.

Advertising and Selling Industrial Goods, by Vergil D. Reed.
Reviewed by Carle M. Bigelow.

Group Leadership, by Robert D. Leigh.
And others.

Published Monthly by the

AMERICAN MANAGEMENT ASSOCIATION

330 West 42nd Street

New York, N. Y.

AMERICAN MANAGEMENT ASSOCIATION

Chairman of the Board—JAMES O. MCKINSEY, *Chairman*, Marshall Field & Company, Chicago, Ill.
Chairman of the Executive Committee—ARTHUR H. YOUNG, *Vice-President in Charge of Industrial Relations*, United States Steel Corporation, New York, New York.

President—ALVIN E. DODD, 330 W. 42nd Street, New York, New York

Chairman Finance Committee—HAROLD V. COXS, *Manager, Industrial Department*, Ford, Bacon & Davis, Inc., New York, New York.

Treasurer—JAMES L. MADDEN, *Third Vice-President*, Metropolitan Life Insurance Company, New York.

VICE-PRESIDENTS IN CHARGE OF DIVISIONS

Finance and Accounts—MARK M. JONES, *President*, Akron Belting Company, New York, New York.
Office Management—GEORGE L. HARRIS, *Manager of Sales Research and Methods*, Addressograph-Multigraph Corporation, Cleveland, Ohio.

Personnel—THOMAS G. SPATES, *Director of Industrial Relations*, General Foods Corporation, New York.
Production—EARL M. RICHARDS, *Assistant to Vice-President in Charge of Operations*, Republic Steel Corporation, Cleveland, Ohio.

Industrial Marketing—J. H. MACLEOD, *Vice-President, Sales Division*, The Hinde & Dauch Paper Co., Sandusky, Ohio.

Consumer Marketing—H. W. DODGE, *Vice-President*, The Texas Company, New York, New York.

Insurance—T. W. DINLOCKER, *Secretary and Treasurer*, SKF Industries, Inc., Philadelphia, Pa.
President of the Institute of Management—CARLE M. BIGELOW, The Calco Chemical Company Inc., Bound Brook, New Jersey.

VICE-PRESIDENTS AT LARGE

W. J. DONALD, *Managing Director*, National Electrical Manufacturers Association, New York, New York.

W. A. GRIFFIN, *Assistant Vice-President*, American Telephone and Telegraph Company, New York.

THOMAS R. JONES, *President*, American Type Founders, Incorporated, Elizabeth, New Jersey.

EARL WHITEHOENE, *Assistant Vice-President*, McGraw-Hill Publishing Company, Inc., New York.

IRWIN D. WOLF, *Vice-President*, Kaufmann Department Stores, Inc., Pittsburgh, Pennsylvania.

AUGUSTE RICHARD, *President*, The Spool Cotton Company, New York, New York.

PAST PRESIDENTS

W. W. KINCAID, *Chairman of the Board*, The Spirella Company, Inc., Niagara Falls, New York.

SAM A. LEWISOHN, *Vice-President*, Miami Copper Company, New York, New York.

F. L. SWEETSER, *Partner*, Stevenson, Jordan & Harrison, New York, New York.

C. S. CHING, *Director of Industrial and Public Relations*, United States Rubber Company, New York.

W. J. GRAHAM, *Vice-President*, The Equitable Life Assurance Society of the United States, New York.

BOARD OF DIRECTORS

Term Ending 1937

M. J. BEIRN, *Vice-President and General Manager of Sales*, American Radiator & Standard Sanitary Corporation, New York, New York.

CLARENCE G. STOLL, *Vice-President*, Western Electric Company, Inc., New York, New York.

MILES E. ROBERTSON, *General Manager*, Oneida Community, Ltd., Oneida, New York.

GLENN GARDINER, *Forstmann Woolen Company*, Passaic, New Jersey.

C. J. HICKS, *Industrial Relations Counselors, Inc.*, New York, New York.

CHAPIN HOSKINS, *Managing Editor*, Forbes, New York, New York.

EDGAR KORAK, *Vice-President*, Lord & Thomas, New York, New York.

JOHN A. STEVENSON, *Vice-President*, The Penn Mutual Life Insurance Company, Philadelphia, Pa.

L. C. STOWELL, *Executive Vice-President and Director*, Underwood Elliott Fisher Company, New York.

Term Ending 1938

STANLEY P. FARWELL, *President*, Business Research Corporation, Chicago, Illinois.

STANLEY P. FISHER, *Assistant to Works Manager*, American Hard Rubber Company, New York, N. Y.

W. G. MARSHALL, *Vice-President*, Westinghouse Electric & Manufacturing Company, East Pittsburgh, Pa.

HADAR ORTMAN, *President and General Manager*, W. F. Hall Printing Company, Chicago, Illinois.

H. B. BERGEN, *Director of Industrial Relations*, The Procter & Gamble Company, Ivorydale, Ohio.

GEORGE E. ROGERS, *Insurance Manager*, Robert Gair Company, New York, New York.

I. O. ROYSE, *Manager, Office Production*, Ralston Purina Company, St. Louis, Missouri.

ERNEST F. RUMPF, *Secretary-Comptroller*, F. C. Huyck & Sons, Albany, New York.

EDMOND E. LINCOLN, *Economist*, E. I. du Pont de Nemours & Company, Wilmington, Delaware.

Term Ending 1939

L. R. BOULWARE, *Vice-President and General Manager*, Carrier Corporation, Newark, New Jersey.

T. G. GRAHAM, *First Vice-President*, B. F. Goodrich Company, Akron, Ohio.

THOMAS J. HARTE, *Vice-President and General Sales Manager*, North American Cement Corporation, New York, New York.

H. H. LEONARD, *Vice-President and General Manager*, Consolidated Packaging Machinery Corporation, Buffalo, New York.

RALPH KELLY, *Vice-President*, Westinghouse Electric & Manufacturing Company, East Pittsburgh, Pa.

JAMES S. KEMPER, *President*, Lumbermens Mutual Casualty Company, Chicago, Illinois.

J. KINDLERBERGER, *Chairman of the Board*, Kalamazoo Vegetable Parchment Company, Kalamazoo, Mich.

C. J. STILWELL, *Vice-President*, The Warner & Swasey Company, Cleveland, Ohio.

DR. FRANK M. SURFACE, *In Charge of Research Sales Department*, Standard Oil Company of New Jersey, New York, New York.

C. A. TATTERSALL, *Secretary*, Niagara Hudson Power Corporation, New York, New York.

Editor—JAMES O. RICE, 330 West 42nd Street, New York, New York.

THE MANAGEMENT REVIEW is published monthly by the American Management Association at 330 West 42nd Street, New York, N. Y., at fifty cents per copy or five dollars per year. Vol. XXV, No. 7, July, 1936. Entered as second class matter March 26, 1925, at the Post Office at New York, N. Y., under the Act of March 3, 1879. Copyright, 1936, American Management Association.

The MANAGEMENT REVIEW

JULY, 1936

The Abstracts of the Month

HOW TREND THE TIMES? Only yesterday we paid \$1.25 a pound for rubber. Thanks to industrial research, which developed a product superior to rubber out of coal, water, salt, and limestone, America will never pay that price for rubber again. Charles M. A. Stine, Vice-President of E. I. du Pont de Nemours and Company, tells about such developments in a *Management Review* abstract this month, **Science in Industry** (page 206). Dependence on foreign countries for vital products has become independence, and the industrial advance has proceeded in giant strides with industry wearing the seven-league boots of the laboratory.

OTHER TRENDS RECORDED in the business publications and reflected in *Management Review* abstracts reveal employers intent on training workers. American Rolling Mill Company has come to grips with the subject in realistic fashion. They have really created **The School House by the Mill** (page 223) which started with a few pupils and had to expand rapidly when other employees asked "Why can't we get it?"

WHILE COMPANIES SEEM CONCERNED about employees in all manner of ways—Macy's advising their delivery force to give other motorists the right of way because everyone is a potential Macy

customer (page 207)—company cost cutters are finding new costs to conquer. Witness the feats of the Bobbs-Merrill Company (**We Found Twelve Places to Cut Office Costs**, page 214). Twelve targets, and twelve bulls-eyes.

AND THEN TAXES! On page 208 is an abstract from an article by J. M. Whitney inquiring **Are Higher Taxes Necessary?** The author states that if present tax rates were placed on 1929 conditions, the revenue received by the government would be more than the government *could spend*. And thereby hangs a tale—of woe.

WHAT ABOUT VACATIONS? The National Industrial Conference Board has done a good round-up job on vacations for wage-earners. The plans of 12 large companies are examined in an abstract on page 221.

MR. EUGENE G. GRACE WRITES our **Current Comment** this month on Industry and the Public, which incorporates some of his remarks at the recent meeting of the Iron and Steel Institute.

GENERALLY, the trends are changing swiftly. *Management Review* finds a busy shifting scene with industry pushing forward with the same vigor and receptiveness to new ideas that marked its advances of the twenties.

The object of the publications of the American Management Association is to place before the members ideas which it is hoped may prove interesting and informative, but the Association does not stand sponsor for views expressed by authors in articles issued in or as its publications.

Current Comment

INDUSTRY AND THE PUBLIC

BUSINESS men do not claim that under our system of free enterprise we have attained the ultimate in the abundant life, but we do claim that industry has conscientiously cooperated in, and in a large measure has been the means of, advancing our standards of living beyond those of any other nation on earth. Our obligation now is to make sure that this trend is neither reversed nor halted.

The thing that confuses the average business man about this unemployment situation is what he sees every day. In many communities where practically normal numbers are employed in private enterprises and where the private charitable organizations are doing their job in caring for those in actual need, there are still vast sums of relief money being dispensed by the government.

As a matter of fact, as the volume of business and employment has increased, relief expenditures have run a race to outstrip them.

In some quarters it seems to be a favorite pastime to shift the blame for continued unemployment to the shoulders of industry. The fact is that there are proportionately fewer unemployed in the manufacturing industries than in many other lines. In the steel industry, which is typical, the more than 450,000 people employed today are as many as were employed at the height of prosperity in 1929. Of course, some of these workers are not working full time, but they are self-sustaining citizens of their respective communities.

Given the same opportunities supported by a stable and economical government in the form provided by our forefathers, there is no reason why this trend should not continue. The people by their own efforts and industry will seek and obtain still higher standards of living. This, as in the past, will create new industries and widen present markets, resulting in increased employment.

The steel industry is an example of the benefits flowing from technological progress. Not only have we improved quality

and stimulated new uses for steel through research and technology; but also through large investments and engineering prowess there have been vast improvements in processes and equipment resulting in increased as well as more efficient production.

American industry was well on the way to solving the problems of social betterment and stabilization when the depression intervened.

Had not industry raised the living and working standards of its workers far above the levels of those of any other country in the world?

Certainly this is true of the great mass of employing concerns in the United States. True there were some who still observed sweat-shop policies, but they were decidedly in the minority and on the way out.

It is unfair to place the whole of legitimate business in a strait-jacket to reform a few recalcitrants. Whatever might be achieved by this method would be at too dear a price, and the wreckage resulting to general business and to the vast majority of workers would be too great.

Industry through achievement has demonstrated its belief in social security. Even though legislation may be necessary in some instances to protect employees, there are cases where employees would not be as well provided for through legislation as they are now. Where voluntary programs are providing benefits comparable to or in excess of those contemplated under legislation, they should be permitted to do the job. In these programs all funds jointly contributed and administered by employee and employer are fully productive and devoid of the evils of politics.

The present systems of social betterment have been carefully and gradually developed along healthy and sound lines through a cooperative endeavor on the part of employees and management. Working together on these problems has promoted confidence, understanding, loyalty, and efficiency. Herein is their great strength as compared to an impersonal adherence to legislative regulation under bureaucratic control.

The path of progress lies in keeping open the door of opportunity, in protecting our institutions and affording them an opportunity to grow and prosper, under the system of free enterprise that has made ours the leading nation of the world.

Eugene G. Grace.

THE MANAGEMENT INDEX*

Abstracts and News Items

GENERAL MANAGEMENT

Science in Industry

We look to science as the right arm of management to create new things and new jobs, to improve old products and to lower their costs, to make the labor of men easier and the comforts of life more abundant. Stop industrial research and we elect ourselves at once the victims of the first foreign monopoly that chooses to exploit us.

Only ten years ago we paid \$1.25 a pound for rubber. Thanks to industrial research, which developed a product superior to rubber out of coal, water, salt and limestone, America will never pay that price for rubber again. Dependence on Germany for dyes and medicines and potash, upon Chile for nitrate, upon Trinidad for asphalt and Japan for camphor, has become independence only because America's industrial scientists fought for it and won.

The idea that Nature's products are flawless is one of the most popular fallacies. It is almost the exception to find a raw material that is best for the use to which man puts it; as a rule Nature's material is merely the best to be had, or the cheapest. Frequently it

contains impurities, and lack of uniformity is always troublesome.

The possibility of creating materials that would be pure, uniform in quality and better suited to our needs than those of Nature was clearly seen in the pre-War period. The ferrous and non-ferrous metals industries are two splendid examples of man's work in transforming Nature's materials to suit his needs. Somewhat different examples of new developments are the resin "Bakelite" and the textile rayon which had already been synthesized by chemists. They had developed coated fabrics that are in some respects better than leather; they were imitating ivory, and had extracted nitrates from the air; but generally the scientific tool chest was still incomplete, technique was still sketchy, and many gaps were yet to be filled, to give to man-made materials the strategic position in industry which they occupy today.

Much has been accomplished since the World War. Plastics are in common use. Synthetic rubber, synthetic organic acids and alcohols, these are only a few of the very large number of developments of this character. A

* For publishers' addresses or information regarding articles or books, apply to AMA headquarters.

whole range of new coated fabrics has been developed; the paint industry has been revolutionized by new finishes; new refrigerants with unique properties have made possible the expansion of mechanical refrigeration into the home, and now air-conditioning bids fair to set new standards in building and transportation. Camphor made by man from turpentine is purer than that from the camphor tree; musk, one of the rarest of perfume bases, is being synthesized and sold at a fraction of what the natural product costs. Nitrates and ammonia from the air rule that market, and urea has become a factory product. By Charles M. A. Stine, Vice-President, E. I. du Pont de Nemours & Co. *Chemical Industries*, June, 1936, p. 597:2.

How Macy's Cut the Cost of Accidents

Accident prevention on a state-wide basis resolves itself into two parts: The individual owner and the fleet operator. If the state can bring the first group up to the existing practice and standards of the second, the accident problem will practically disappear.

In 1926 Macy's had a reputation for bumping into people on the street. The program instituted to do away with this reputation first laid bare the fact that 80 per cent of the accidents were either intersection accidents, running into the car ahead, or careless backing accidents. Three methods of accident prevention were used:

1. Everlastingly good mechanical maintenance of the fleet.

2. The selection of the driver through a working knowledge of his characteristics. The driver material is recruited from the junior, or helper, group on a promotional basis. He must be forthright, reasonably conscientious, responsible, and emotionally stable; he must have two arms, two legs, no color blindness, no bad eyesight, no diseases.

3. Training and motivation. The driver is taught:

a. That an intersection accident is always avoidable because he must not dispute the right of way with a *Macy customer* and because Macy's—a large corporation—always pays the bill in the end.

b. That he is always at fault for piling up on the other fellow's tailboard because he failed to anticipate the sudden stop by keeping far enough back for the speed traveled, and because he, the Macy driver, is never at fault if the other fellow piles up on *his* tailboard.

c. That his helper is with him to help guide him when backing up, so that he won't run over his own child sitting on the curb.

In 1935 the company totaled 149 accidents, instead of the 764 of 1926; traveled 54,054 miles for every accident, instead of 3,000; produced 1.8 accidents per 1,000 vehicle-days, instead of 10.7; and cut insurance premiums by \$40,000 per year. By John E. O'Gara, Executive Vice-President and General Manager, R. H. Macy & Co., Inc. *Executives Service Bulletin*, Metropolitan Life Insurance Company, June, 1936, p. 1:3.

American Agricultural Conditions and Remedies

Study shows that there is no disparity between real farm and city income sufficiently large and general to support the doctrine that forced redistribution of money incomes would provide a lasting solution of farm problems. Likewise, analysis of experiments made in this and other countries shows that concerted limitation of production beyond the natural adjustments made by the millions of farmers gives no permanent help.

There are, however, many ways in which farmers and other groups working together may improve the agricultural situation. The bulk of our farmers may improve their economic position and benefit the nation socially by producing a larger share of their requirements on their own farms. The field survey shows that many farmers are following this policy and are in a more prosperous, independent and secure position as a result.

Farmers also have many sources of income outside the scale of products and these may be further enlarged with the co-operation of business and industry. New uses and expanded old uses are being developed for farm products. By abolishing

malnutrition in the cities and on the farms, and stimulating the demand for an improved dietary, demands for food will be expanded. Farm costs may be reduced by better farming. The farmer can also be assured of a large slate of the domestic market by more effective tariff policies. Since farm income and factory wages move up and down together, the greatest chance to improve farm prosperity is to improve general business activity and increase the general national productivity. *National Industrial Conference Board Studies, Number 224. May, 1936. 57 pages.*

Food Consumption at Different Economic Levels

The change in food habits as economic level increases is strikingly shown in this study, which compares the quantities and types of food consumed by families of wage earners at various economic levels. At the lowest levels the market basket is heavily weighted with bread, flour and meal, and white and sweet potatoes. At the higher levels, the consumption of cereals is only slightly larger, but the use of fresh vegetables and fruits doubles and of meat and eggs increases by more than 50 per cent. By Faith M. Williams. *Monthly Labor Review*, April, 1936, p. 889:6.

FINANCIAL MANAGEMENT

Are Higher Taxes Necessary?

It is not commonly realized how low our Federal tax rates were in 1929 and how greatly the rates have been lifted in successive changes since that time. For the present fiscal year ending June 30, the Federal revenue, omitting AAA taxes, probably will approximate \$3,466,000,000. That is what the present Federal taxes extract out of a national income of less than \$60,000,000,000. It is very close to what the 1929 Federal taxes extracted out

of a national income of \$90,000,000,000. It follows, therefore, that the present Federal taxes, imposed on a \$90,000,000,000 national income, would produce a veritable flood of money. Estimates indicate that the amount would be at least \$8,000,000,000.

Federal expenditures for the present fiscal year are estimated approximately at \$7,093,000,000, excluding debt retirement and the payment of the soldiers' bonus, which we can assume is

a no
clud
869,
conti
cover
leave
000
O
tures
rate
Henc
woul
U
mating
raise
—the
incom
misc
gift
Re
in to
misc
recov
estate
reven
and
come
bigge
the y
Th
incom
\$2,50
1929
\$1,50
now
per c
rangi
come
allow
to \$3
cent
up to

a non-recurring item. The figure includes relief expenditures of about \$2,869,000,000. Even if expenditures continued at the present rate, full recovery would balance the budget and leave a margin of nearly \$1,000,000,000 a year for debt retirement.

Obviously, however, relief expenditures cannot continue at the present rate if complete recovery is achieved. Hence, the margin for debt retirement would be still greater.

Under economic conditions approximating 1929, the major Federal money raisers would be—in the order named—the personal income tax, corporate income tax, liquor taxes, gasoline and miscellaneous excise taxes, estate and gift taxes, tobacco taxes and customs.

Relatively small changes are assumed in tobacco, customs, and gasoline and miscellaneous excise taxes. Under full recovery there will be large gains in estate and gift tax revenues, liquor tax revenues, corporate income tax yields and the return from the personal income tax. The latter will show the biggest jump of all, fully three times the yield of 1929.

The income tax now begins on an income of \$1,000 for a single person, \$2,500 for a married person. The 1929 exemptions were, respectively, \$1,500 and \$3,500. The normal rate now is 4 per cent. It was only $1\frac{1}{2}$ per cent on the lower incomes in 1929 ranging up to 5 per cent on larger incomes. A credit of 25 per cent was allowed in 1929 on earned income up to \$30,000. Now the credit is 10 per cent and applies only on earned income up to \$14,000. Surtaxes began at only

1 per cent on \$10,000 in 1929 and the highest surtax rate was 20 per cent on all income over \$100,000. Today the surtax begins at 4 per cent on \$4,000 and mounts to 75 per cent on income above \$5,000,000. It is here, especially in the surtaxes on incomes from \$5,000 to \$100,000 that the yield will be enormously increased.

For corporations that pay the great bulk of the present corporate income taxes, the present rate is 15 per cent. It was 12 per cent in 1929. The increase is 25 per cent.

The proposed rate of 18 per cent in the pending tax bill will be 50 per cent higher than in 1929 and on corporate income will jump the yield to approximately \$1,852,000,000.

Given full economic recovery, even the most gifted New Deal spenders would have a hard job spending all the money that the present tax system would yield. By J. M. Whitney. *The Magazine of Wall Street*, June 6, 1936, p. 209:3.

Effective Inflation "Hedging" to Preserve Investment Values

The conclusion that there are non-effective hedges against inflation has been greatly advanced in authoritative quarters, and widely publicized. I cannot help but think that this statement is entirely too broad to stand the test of even elemental analysis.

If it were true, all of the sixty or more million Germans would have lost all but one one-trillionth of their worldly wealth during the inflation in that country, excepting certain types of securities that fared somewhat bet-

ter under revalorization laws that ultimately became effective. As a matter of fact, anyone intimately acquainted in that country and visiting it shortly after the restoration of the gold mark could not help but recognize that more than one mark out of a trillion had been saved.

Experience in France and Austria points in the same direction. Many instances can be presented of individuals in European countries who fought back with more or less success, and a fair proportion of them improved their position thereby.

Records show that in France the commodity and real estate hedges were successful. A building in Rue de la Paix, sold at 10,000 francs per meter

just before the war, was sold in 1929 at 40,000 francs per meter. There are many similar cases.

I still believe there are hedges against inflation, some of quite a high degree of effectiveness. After all, if there were no hedges there would be no inflation, or at least no one would recognize it. But the real lesson to be conveyed here is that we are in for inflation of some considerable degree. It may not reach even the degree experienced by France in 1926. Its peak here is probably some years off. Our individual problem is to prepare for it to the best of our ability. By Dr. Walter S. Landis, Vice President, American Cyanamid Company. *Trust Companies*, June, 1936, p. 587:5.

INSURANCE *

Insuring Insurance

Superintendent L. H. Pink, of the New York Department, presented an array of statistical facts to support his contention that the insurance companies should establish a fund, especially in fire and casualty lines, to pay all claims on any company that might become insolvent.

In New York State there were twelve stock casualty company failures during twenty years, eleven of them in the depression. Losses totaled \$40,519,802 and the total volume of premiums was \$3,956,000,000. A fund of 1 per cent of the premiums over the twenty years would have paid

promptly all of the casualty and surety claims during the entire period including the depression years.

Had such a fund been in existence hundreds of thousands of our people scattered all over the United States would have been spared delay, suffering and loss. Many homes and many businesses would have been protected against catastrophe.

While there is no apparent urgency for a fund to take care of normal failures in the fire and marine field, the fact that there is always the danger of great conflagration and huge loss rising out of some unforeseen catastrophe must not be overlooked. A fund based

* Insurance abstracts are contributed by P. D. BETTERLEY, Assistant Treasurer, Graton & Knight Company.

on an assessment of only 1/10 of 1 per cent of the premiums would have created a fund which would have taken care of all losses and would today amount without interest, to \$7,500,000 and with interest to about \$10,000,000. *The Weekly Underwriter*, June 13, 1936, p. 1265:2.

EDITOR'S NOTE.—The foregoing should furnish thinking buyers with something to ponder. If there are widespread re-insurance facilities, adequate supervision, equitable underwriting, honorable selling and sensible insurance buying, it should not be necessary to purchase double protection.

What Do Insurance Buyers Want?

In his talk to the New York State Association of Local Agents, Professor Blanchard made a number of helpful suggestions as to what insurance buyers want and expect of insurance agents. He said "What do Insurance Buyers want? I have a fairly wide acquaintance among them and hear many of their discussions and complaints. It seems to me that they demand, first, security, second, coverage, and third, economy. And they rate the relative importance of their three demands in that order.

"While the buyers know basically what they want, many of them do not know how to get it. The business establishment which commands the services of a full-time expert insurance manager is rare indeed. Usually insurance buying functions are combined with those of an accounting or financial position.

"These men need competent agents

or other advisers, and they are prepared to compensate them. But they are not willing to accept insurance uncritically nor do they like the idea of paying for services which they fail to receive.

"It is now generally recognized among buyers that cost of insurance is a secondary matter; that their really serious problem is protecting the assets and earnings of their businesses by adequate insurance with sound carriers. They want simplified contracts drawn to meet their needs, and they want to be hampered as little as possible by restrictions and exceptions.

"Of course there are short-sighted buyers who emphasize premium costs and who get about what they are willing to pay for. But the principal complaints which I have heard are those of the buyer who feels that he is paying acquisition or other expenses without getting adequate return for his money, or who finds himself carrying unnecessary insurance because he cannot get coverage accurately adjusted to his insurable values, or because his insurance program has not been periodically revised to take account of changed conditions." *The Eastern Underwriter*, May 22, 1936, p. 38:2.

Extra Territorial Application of Compensation Acts

Many compensation acts have application to injuries sustained beyond the bounds of the state. An injury may give rise to rights under the law of the state where the injury occurs, and the state where contract of hire is made, or the law of the state where the em-

ployment is located. The question then arises whether the rights of the parties are determined by the one law or by the other.

Which law applies is determined by which state, in the particular case, had the greater interest in regulating the matter.

Rights to compensation benefits are not rights of action in tort; they are either rights of contract, quasi-contractual rights growing out of the relationship, or rights of status.

The great majority of states have proceeded on the theory that the rights are rights of contract. The place of making the contract is often remote from the place where the contract is to be performed: and it is very obvious that a state has no very legitimate interest in regulating employment to be performed outside its bounds.

OFFICE MANAGEMENT

The Temperamental Factor in Relation to Problems of Supervision

It is one thing to choose a person to do typing or to sell umbrellas, and quite another thing to choose someone to supervise the typists or the umbrella sellers.

It is often overlooked that to supervise others involves more than a knowledge of the work. On the intellectual side it is necessary to be able to see the work of the group as a whole, in some cases to be able to teach it, and to get subordinates to work together harmoniously and effectively.

Does the temperament of the person

Making the extra-territorial application of the acts dependent upon the place of making the contract is not fair to persons employed and actually resident in a state, but who were originally hired outside the state.

The best established divergence is what may be termed the localization theory, which sets up as the test, the question whether the employment is located in the state. Under this theory the act applies generally to extra-territorial injuries provided these are sustained in transitory employment properly incidental to an employment within the state, but not to extra-territorial injuries sustained in employment at a fixed location outside the state. This gives a rule which coincides generally with what the state has a real interest in regulating. By C. W. Hobbs. *The Weekly Underwriter*, May 30, 1936, p. 1149:1.

in authority really make any measurable difference? There are some objective criteria which serve to indicate the successful working of a group. In several cases where an inexplicably high labor wastage has been noted the responsible head was of the bullying type; if the job is for some reason hard to leave, dissatisfaction may be expressed in the form of sickness absenteeism. In one large organization the doctor noticed that an undue proportion of minor gastric disorders, fainting attacks, and headaches came from one department with a bullying head.

There is also evidence that the ac-

tual
sonal
affec
super

Be
prac
super
tice,
and

Be
balan
almo
ordin
few
thor

T
sent
so th
with
Such
worl
to b

T
his
way

T
agin
larly
in t
to t
obje
caus
nece

T
afra
that
in a
any
etc.
they
ous

T

tual work, quite apart from the personal happiness of the workers can be affected by the temperament of the supervisor.

Besides the requisite intellectual or practical requirements for the work, supervisors should have a sense of justice, the power of sympathy, vitality, and a sense of humor about themselves.

But however temperamentally well-balanced the supervisor may be he will almost certainly have to deal with subordinates who are not. Here are a few types well known to people in authority:

The irrationally truculent who resents all criticism however justified, so that any command is likely to meet with opposition, regardless of the facts. Such a person is liable to throw up his work for what appears on the surface to be an inadequate reason.

The ultra-weak person, who does his work fairly well in an indifferent way, uninteresting and uninterested.

The person who takes refuge in imagination and performs his tasks regularly and without complaint, rejoicing in the monotony that gives free scope to the play of fancy. He is apt to object to slight alterations, merely because for the time being the change necessitates more attention to detail.

The persons who are irrationally afraid of conditions and circumstances that should not arouse fear, as people in authority, being observed at work, any responsibility, making a mistake, etc. If not treated sympathetically they tend to have some form of "nervous breakdown."

Those whose emotional mal-adjust-

ment takes the form of undue sensitivity to conditions that are to the majority neutral—irrational complaints are made of such environmental conditions as lighting, heating, or ventilation; attempts at rectifying the particular detail of complaint only produces another difficulty.

Some of these can be dealt with, and their worst effects mitigated, by tactful, firm and understanding treatment; others cannot be dealt with by any means yet available to a department head. By May Smith. *Industrial Welfare and Personnel Management*, June, 1935, p. 13:3.

Making Conferences Really Work —the Conference Leader's Job

Just as everybody thinks he just naturally without training could run a railroad, edit a paper, or be a toastmaster, so every executive thinks he can run a conference. The truth is that there is a definite technique about holding conferences which must be learned, and since modern organization science insists that the conference is a tool which we must use more, not less, it behooves us to understand the tool better.

The conference head must be good at these things: Stating clearly the problem for which a solution is desired; drawing out in systematic order the points of view of different parties to the conference; firmly stopping the usual temptations to jump the conference from its central issue and to get into side-alleys of discussion; putting proper stoppers on the verbose, over-aggressive personality, and using the

proper stimulants on the reticent or unexpressive personality; judicially controlling opposing forces of opinion and power, so that the subject itself is not made merely an argumentative football.

He must maintain an even temper and open mind so as to permit full and free discussion from all angles; force and grasp enough to bring discussions to a logical end with a decision; have a clear understanding of the difference between fact and opinion, an adequate knowledge of the firm's objectives and policies, and an understanding of the best method of recording conference discussion, opinion, decision, and a knowledge of after-conference follow-up methods. By J. George Frederick. *The Office Economist*, May-June, 1936, p. 4:2.

We Found Twelve Places to Cut Office Costs

The Bobbs-Merrill Company has made a number of money-saving changes recently. First, we had the mail clerks report at 7:30 a.m. instead of 8.00 a.m., so the morning mail could be distributed to the several departments, ready for attention when the office opened. We have found it eliminates lost time and sends orders to the shipping department earlier. Result—better service to the customer.

All letters in the credit and collection departments are individually typed and signed. However, form letters are used to a great extent. We found many of these form letters were too long; shorter ones were prepared. The structure of these letters is changed

frequently. It was found too much time was spent dictating, so other form letters were compiled to cover those situations arising most often. The clerks were given more responsibility, more freedom.

We have two sets of accounts receivable ledgers—wholesale accounts posted by machine and retail accounts posted by hand. Wholesale accounts cover the sale of fiction, schoolbooks and law books for resale. The retail accounts cover the sale of law books and legal subscriptions, for the personal use of the customer, to attorneys, libraries, and the offices of governmental officials. The latter are classed as regular or instalment accounts, depending on the terms extended. Correspondence on the two sets of accounts is kept separate, and most of the work of the collection department consists of following up the retail accounts.

For the retail division, each past-due account had a correspondence folder, filed alphabetically. Correspondence on current accounts was filed loose in the general file. Instalment accounts were handled separately by one clerk, who filed all correspondence on these subjects in a separate place from all other correspondence. And there was a tickler file for accounts needing special attention.

We improved this method by re-filing folders on past-due accounts in geographical order, so the file would correspond with the arrangement of the accounts in the ledgers; a miscellaneous folder for each state was placed in this geographical file for correspondence on current accounts, so as to keep

this material in the department; the tickler file was eliminated and a folder made for each account of this classification, and these were filed in the same file. These changes consolidated all collection correspondence on retail accounts into one file, with the exception of that covering instalment accounts.

As other changes were made in the department, it was found unnecessary to keep the instalment accounts separate. Now correspondence on this class of accounts is also filed with the past due accounts.

The result is that we now have only one file for all correspondence on retail accounts—four files consolidated into one, geographically arranged. This change was well worth the effort. It's a timesaver.

Other results that came from revising old methods included: the elimination of several statement forms, and the time of a statement clerk, a reduction in the use of statements by about 10 per cent, savings in printing costs and storage space. By W. D. Griffith. *American Business*, June, 1936, p. 29:3.

PRODUCTION MANAGEMENT

Industrial Economics: Labor and Capital, Legislation, Wage Theory, Immigration

Needed: A Factory Round Table for Social Security Problems

Since stability of employment gives the employer a credit under the Social Security Act, thus aiding to cut down the taxes, the following means of stabilizing employment are important, although well known:

In production by letting out excess work to independent contractors during peak periods instead of hiring and later discharging new employees; change in working hours for slack periods; spreading of work, where possible, so as to avoid overtime for some and discharge for others; transfer of idle workers to other work which they are capable of performing. Where practical, workers should be trained, in advance of necessity, to do work other than their usual labor.

In personnel by hiring workers only after careful attention to their qualifications; migratory workers, usually identified by previous employment record, living away from home, and absence of social and religious affiliations and applicants with poor health or old in respect to practical age limits for the nature of the work involved, tend toward instability.

In sales policies by building up off-season production, developing new territories, offering incentives for advance purchases, taking on new products which can be produced in dull periods.

The following reports are essential for the data required under the Act: Periodic detailed payroll with tax working papers, employee's personal history record, employee's earnings record, and termination of employment

(forms for these four reports are reproduced in the article).

Care should be taken to eliminate from the total payroll any amounts not taxable, such as payments in excess of \$3,000 paid to any one employee, for purposes of the old-age pension fund. The following states (to date of this writing) exclude from unemployment insurance taxes the earnings of the following:

New York—Non-manual employees earning in excess of \$50 per week or in excess of \$2,600 per annum; Massachusetts—all employees earning \$2,500 per annum or more; Utah—all employees earning \$2,000 per annum or more; Wisconsin—all employees earning over \$250 per month; New Hampshire—when the total number of employees (in and out of the state) is less than eight those non-manual employees earning more than \$2,500 per annum. When eight or more are employed none are exempt.

Where a great many persons are employed whose salaries are exempt from one or more taxes, it may be well to keep separate records for those whose earnings are taxable and those whose are not. This should eliminate many calculations. By Milton N. Hoffman. *Mill & Factory*, May, 1936, p. 59:4.

Law and Labor Relations (A Study of the Industrial Disputes Investigation Act of Canada)

Considerable light is thrown on such legislation as the Wagner Act by this study which is based upon 27 years' operation of the Canadian Industrial Disputes Investigation Act, which in-

troduced one of the oldest experiments in government intervention in industrial disputes.

The law, originally passed in 1907, prohibits under penalty any strike or lockout in mining and in public utility industries until a board of conciliation and investigation, appointed by the Minister of Labor, has submitted a report on the dispute.

Significant among the findings is the attitude of labor. Before 1918, the trade union movement was generally hostile and asked repeatedly for the repeal of the Act; but since 1918 labor has been consistently favorable, and, in fact, has urged the extension of the law to any industry in which either side applies for a board. Employers, on their part, feel that the Act serves a useful purpose in reducing the possibility of stoppages in vital industries, but they are opposed to the extension of the Act.

Behind these changing attitudes lie trends of wide importance. Obviously any law like the Disputes Act, which causes intervention in labor relations, involves interference with freedom of action. In the long run, under fair and skillful administration, the burdens of such interferences may even out. Yet experience with the Canadian Act shows that until, and unless, the parties come to feel that they derive some specific benefit from such a law, their attitude towards it will be formulated in terms of general objections to government intervention.

Although the Act embodies compulsory features, it is significant that its administrators have consistently subor-

minated compulsion to conciliation. The boards have placed primary emphasis upon reaching amicable settlements through conference and adjustment. The penalty provisions have been applied hardly at all, and in no instance by the Dominion Government. As a conciliation measure, however, the Act has proved highly successful. From 1907 to 1935, 640 disputes were referred to boards, which succeeded in avoiding or ending strikes in 589, or 92 per cent of the cases.

The distribution of specific successes and failures is revealing, also, for it suggests that the potentialities of government intervention vary with the degree to which basic economic conditions and industrial relations are ordered and stable. Where industrial cooperation has been long established and organized, as in the railroad services, success of the machinery of the Act has been marked. Contrariwise, where industry is suffering from fundamental disorganization, where workers still fight for the right to representation and rival unions compete for membership, as in coal mining, the Act has proved relatively ineffective. *Busi-*

ness Research Studies No. 14. Harvard University Graduate School of Business Administration. March, 1936, 65 pages.

Workmen's Compensation Legislation in the United States and Canada, 1935

Outstanding in the field of workmen's compensation in 1935 was the passage of workmen's compensation laws in Florida and South Carolina. The enactment of these measures reduces to two (Arkansas and Mississippi) the number of states which still have taken no action to protect workers in this way. The Florida act covers all private employers of more than three workers and that of South Carolina all private employers of more than 15 workers; both cover all public employees except elected officials. In a number of states whose legislatures met in regular or special session during 1935, amendments to existing workmen's compensation acts were passed. The results of legislative action in the United States and in Canada are summarized. *Monthly Labor Review*, May, 1936, p. 1253:25.

Employment, Earnings, Production, and Prices, 1932 to January, 1936

Total payrolls in manufacturing industries as a whole increased 83 per cent from January, 1933, to January, 1936. The increase in average hourly earnings was 30 per cent; in average weekly hours, 2 per cent; in per capita weekly earnings, 32 per cent; in number of wage earners, 38 per cent; and in volume of production, 51 per cent. There were also increases in average man-hour output and in average labor cost per unit of output. From 1929

to 1932 declines in manufacturing industries were greater than in non-manufacturing industries, and from 1932 to 1935 there was a more rapid advance in manufacturing than in non-manufacturing industries. Changes affecting labor varied widely in individual industries. These developments in connection with private employments, together with information relating to changes in prices, cost of living, population, and national income, are summarized in the article. By Witt Bowden. *Monthly Labor Review*, April, 1936, p. 851:38.

Cost Control

Standard Costs for Profit Control

Previous installments of this article were published in May and April. In this third and final section the author continues with a discussion of cost variations and ratios, concludes with an analysis of the value of standard cost methods.

He states that contrary to general impressions, accounting for standard costing is not complex. In fact, the simpler it is kept, the more effective and economical it will generally prove to be. In the larger organizations refinements can be developed and applied; but usually it will be found that even there all the benefits can be obtained from an installation that is stripped of non-essentials.

Management is taking superintendents and foremen more and more into its confidence and explaining to them the progress of the plant through the cost reports. Many of these men have not had the opportunity to study accounting. Therefore, it is necessary to furnish them reports in a simple and effective way; otherwise their value is lost.

By the use of standards, accounting records become dynamic and impelling, and force the operating staff continually in the direction of lower costs and more efficient methods of operation. Once adopted a standard is merely a measuring stick of an activity. It is a goal of accomplishment.

The whole structure of standard cost methods is built upon the basis of scientifically sound standards covering

every activity. That one major idea can be taken and elaborated to suit individual requirements. Accounting methods are incidental. By Paul E. Gnaedinger, Industrial Engineer, Dominion Rubber Company, Ltd. *Factory Management and Maintenance*, June, 1936, p. 215:6.

Cost Calculation for Coat and Suit Industry

A set of six forms for cost calculation, a cost of materials computation table, a selling price percentage computation table and calculation tables. Prepared by The Merchants Ladies Garment Association, Inc. 1936.

Keeping Control of Operating Expenses

Although Mr. Moore, President, B/G Foods, Incorporated, feels (like his friends who make wheelbarrows, fashion negligees, or run bus lines) that his business is "different," he has observed that the management fundamentals are much the same. Particularly is there one feature that is a common characteristic: "The profit comes in where the loss goes out." He dissects the B/G dollar and tells of control methods in his organization. By Paul Moore. *Executives Service Bulletin*, June, 1936, p. 3:2.

Application of Budgeting Methods to Change of Policy

For more than a third of a century the Fargo Hallowell Shoe Company had been manufacturing shoes for children, growing girls, and misses. In

1931 depressed conditions caused a complete shutdown of the company plant for two months. It was decided to try selling direct to retail trade instead of through wholesalers. Under these very uncertain conditions, a budget was made from careful estimates of costs and income. Production was started for a trial period of five months,

at the end of which time, actual and estimated profits showed a variation of less than \$300. The company has since been operating successfully under the policy of selling direct to the retailer. By J. E. Hallowell, Vice-President, Fargo Hallowell Shoe Company. *Executives Service Bulletin*, June, 1936, p. 7:2.

Labor Relations: Collective Bargaining, Employee Representation, Arbitration

The Future of Industrial Cooperation

Mr. Filene, after telling of his experiences in trying to make an industrial democracy out of his department store, points out the flaw in the philosophy he was applying and gives his conception of a real industrial democracy:

We have had enough, and more than enough, of attempted producer-control. A factory, whether it is owned by an autocrat or by its own employees, can operate successfully only as it operates in the interest of its customers. The future of industrial cooperation, then, is almost certain to be consumer cooperation; for only through the domination of the consumer can the best possible industrial conditions be assured.

Most of us are consumers and producers too; but when we think of ourselves primarily as producers, we cannot act clearly upon our own best interests. For human beings cannot be primarily producers. It is what they want which is of first account. Production is simply a means of getting it. When this is once realized, we shall

proceed to organize production and distribution in the interest of the consumer, and most of our present economic problems will be solved.

Workers, organized merely as workers, may fight for and get higher wages and better industrial conditions than they could otherwise get from employers whose approach to industry is merely that of employers. When the workers realize that their so-called employers are not their real employers, and employers realize that industry has and can have no other purpose than the satisfaction of human wants, both will settle down to the serious, well-planned, well-paid service of the consuming public—a public which cannot be well-served unless its servants are well-paid. That is the real future of Industrial Cooperation. By Edward A. Filene. *Mill & Factory*, May, 1936, p. 51:6.

Let's Tell the Employees

Workers have a right to know plenty that isn't usually told them—why the plant is busy this month, flat the next—when they may expect to come back to work—when a layoff is inevitable.

Kelvinator uses *Cold Craft*, the employees' own magazine, to keep them informed on these points. Started largely as a medium for social chitchat among Kelvinator employees, *Cold Craft* has gradually included more and more articles that inform shop workers of the status of manufacturing plans and of the position of the company in the industry. The magazine is distributed not only to people currently employed in the plant, but to all who were on the payroll during the year.

In last October's issue, for example, the workers were informed that:

"Due to changes in plant layout we shall not be able to get into full production until at least the first of November. In the meantime, however, scattered operations will be started. The Press Shop, for instance, will start on press parts as soon as the dies are completed, and the new welding equipment and transformers are set up—which should be around the 21st of October. . . . The Porcelain Department will start as soon as these parts are fabricated by the Press Department. The lacquer cabinet assembly, however, will not be started until the new shell welders and transformers are installed and the synthetic plant layout is completed."

In the past few months much attention has been given to the regularization of employment through building up banks of parts and completed products within the manufacturing system, as exemplified by the statement of General Motors that \$60,000,000 would be so invested in that corporation during the current year. Refrigerator

sales are quite as abrupt and uneven as automobile sales. March, April, and May represent the peak for the year in shipments. Because of an established policy of building ahead and storing, however, Kelvinator's lowest production from December, 1934, to June, 1935, occurred in April, the highest shipment month.

These characteristics of the industry and Kelvinator's efforts to regularize employment were fully explained in the same October issue. The article went on to say that manufacturing could be carried on according to seasonal orders without storing ahead but that such a procedure would work a great hardship on the employees because it would mean a greatly increased working force for a few weeks and then a complete layoff for the major part of the year. Instead the wise method of averaging production over the year is carried out. All this is clearly and simply explained.

While there exists a feeling generally in the plant paper field that articles on "economics" are dangerous ground, yet *Cold Craft* articles convey valuable information to Kelvinator employees and are much more valuable practical lessons in economics as applied to their daily occupation than could possibly be gleaned from economics texts or found in releases to the daily press by pressure groups. A management with such a constructive achievement need have no fear that it is treading dangerous paths; it is giving its workers information which should be theirs by right of identity with the institution.

W
ing t
cell
ganiz
to in
ting

Ben
Sele
G

In
wage
plove
creas
two
study
firms

The
TI
was
revis
"grac
whic
tion
of th

TI
also
It w
sion,
prese
1936
E.

TI
plan
"unif
fulfil
a vac

With its policy of building and storing to even production and with an excellently developed manufacturing organization, Kelvinator is in a position to inform its employees of the operating hours for weeks ahead. This per-

mits workers to lay plans for their individual expenditures. By G. V. Pollard, General Works Manager, Kelvinator Corporation. *Factory Management and Maintenance*, June, 1936, p. 206:3.

Benefit Systems and Incentives: Bonus Plans, Vacations

Selected Plans of Companies Granting Vacations with Pay to Wage Earners

Interest in vacations with pay for wage earners, or hourly rated employees, as a company policy has increased substantially during the last two years. In this Conference Board study are reported the practices of 12 firms in this respect.

The International Harvester Company

The vacation plan of this company was first established in 1929 and was revised in 1936. It belongs to the "graduated" type of vacation plan, which varies the length of the vacation allowance according to the length of the service record.

General Electric Company

The vacation plan of this company also belongs to the "graduated" type. It was in operation before the depression, but was suspended in 1932. The present plan dates from January 1, 1936.

E. I. du Pont de Nemours and Company

This is a post-depression vacation plan started in 1934. It belongs to the "uniform" type, as all employees who fulfill the service requirements receive a vacation of the same length. The

plan with its provision for a two weeks' vacation after one year's service is unusually generous. This plan, like that of the International Harvester Company, requires continuous attendance in order to be eligible for a vacation.

Bird and Son

Established in 1923 this vacation plan belongs to the "graduated" type, but the maximum of one month's vacation is not reached until the employee has a fifty-year service record.

Packard Motor Company

Started very recently, this plan also belongs to the "graduated" type, but the maximum of a week's vacation is attained after one year's service.

Procter & Gamble Company

Also adopted in 1936, this plan calls for a "uniform" vacation of one week for all wage earners who have completed two or more years of continuous service.

S K F Industries

This "graduated" plan was established in 1935, and allows a maximum vacation of two weeks which is reached after ten years' continuous service, based on a five-day week.

United States Steel Corporation

This "uniform" vacation plan is one

of the five adopted in 1936 by companies in the steel industry. Its chief distinguishing feature is the detailed interpretation of continuous service.

Republic Steel Corporation

Also established in 1936, this plan contains the same service requirements and vacation allowances as the United States Steel Corporation's plan. However, that provision which permits employees to waive vacations and instead to accept the vacation pay, plus interest, at Christmas, is rarely found in vacation plans.

Youngstown Sheet and Tube Company

This "graduated" vacation plan, adopted in 1935, is slightly different from those of the other steel companies in respect to the computation of the maximum vacation allowance.

The Standard Oil Company (Ohio)

This plan, adopted in 1934, is representative of the vacation policies in

the petroleum industry. It belongs to the "graduated" type with a maximum vacation allowance of two weeks, reached upon completion of five years of service.

Armour and Company

This "graduated" plan, adopted in 1923, differs from the others in its treatment of women employees, who are granted a vacation of one week after a continuous service of three years, whereas male employees must complete five years of continuous service before they receive a vacation of similar length. The service requirements for the maximum vacation allowance is the same for both classes—ten years' continuous service, upon completion of which two weeks' vacation is given. Conference Board Information Service: Domestic Affairs Series, *Memorandum No. 48, National Industrial Conference Board, Inc.*, June 22, 1936. 25 pages.

Does It Pay to Help Employees Play?

This article is a survey of the policies of 76 companies regarding employee leisure activities. Tables are given showing the practices of the companies with regard to credit unions, insurance, hospitals, medical services, circulating libraries, training courses, lectures, educational work, baseball, bowling, basket ball, tennis, golf, bands and orchestras, glee clubs, foremen's clubs, employees' clubs, and gardens.

Some executives report favorably on company-sponsored activities; others do not. As a result of the survey, the writer suggests that every company would do well to consider every possible method of welding employees, building better teamwork, securing greater understanding of company policies and aims, and building good-

will and fellowship, by means of employee leisure activities. But the demand should come from the employees themselves; while it is an excellent idea for some official or executive to foster the plans and keep his ear to the ground for possible methods of promoting these employee activities, there should be no marked effort to promote them, for employees are quick to resent any tinge of paternalism. *American Business*, May, 1936, p. 18:6.

Credit Unions Loan Quarter Million

Although with one exception they have been in existence less than a year, credit unions organized by employees of various Standard Oil Company (N. J.) affiliates in the United States made loans in excess of \$250,000 during 1935. Without exception the unions were initiated by and continued

to be run by the employees themselves. At the end of the year, those operating for a sufficiently long time declared dividends which averaged 5 per cent.

The unanimous consensus thus far has been that the credit union affords a con-

venient, safe and profitable means of savings by employees, ready credit at reasonable interest rates for those requiring it for constructive purposes, and useful training in financial management for those directing it. *The Lamp*, April, 1936, p. 4:1.

Training and Education: Schools, Libraries, Employee Publications

The School House by the Mill

A steadily growing demand for your product—a shortage of skilled labor—a long-established policy of promoting from within the organization.

Such was the situation in which the pipe manufacturing division of the American Rolling Mill found itself. The obvious way out was to establish some sort of vocational training which would provide for the promotion of certain men to better jobs and for the bringing in of newcomers at the bottom. That is why the schoolhouse by the mill was built.

The objective in organizing the school was to make better welders and better steel fabricators who could turn out a larger quantity of spiral welded pipe and other products.

It was a matter not only of giving vocational training but of also supplying training that would give the men a clearer view of the economic factors bearing on their jobs.

A young foreman who has had a wide variety of practical experience was assigned to act as full-time instructor. The superintendent acts as "principal." The original class consisted of 35 men selected from various sections of the divisions. Other men immediately began to ask "Why can't

we get in?" Another group was started, and now most of the men in the department are in training.

The first school room was a section of the factory building. It was noisy and drafty; hardly suited to the purpose. Then a newly organized company came to ask for advice and co-operation. The task of fabricating their building units was assigned to our fabricating division. It was proposed that they design a building to serve as a rural or portable schoolhouse. A building of this type was erected on a plot adjacent to the mill.

Men are required to spend three hours of their own time in the schoolhouse each week. There they study the technique of welding and cutting, blueprint reading, shop mathematics, practical metallurgy, electricity, and departmental economics.

But the activities of the training program are not limited to classroom work. The instructor spends eight hours in the plant every day. He acts as adviser and checker. He virtually lives with these men on the job. He discovers their mistakes and they bring their problems to him. He shows them how the work should be done; then he has them demonstrate to him that they understand. The idea isn't to

make better scholars but better workmen who can "graduate" into better jobs.

A personal progress record is kept of each man enrolled. If he has made satisfactory progress after the prescribed period of 150 hours of classroom work and 2,000 hours of shop training he is given a diploma by the Ohio State Board of Vocational Training.

The greatest single benefit from the school is believed to be that it has improved understanding of the economics of the business. A man is made to understand why his job exists. He must understand that his work is in direct competition with that done on

Your Personnel Is Only As Good As the Man Who Trains It

The merchandising of goods has been developed to a high degree of excellence; goods, themselves, are often on a par—often identical. What, then, remains for development?—Personnel.

The personnel of every business has the stamp of some individual upon it—the kind of stamp it depends on the character and methods of the man who trains the personnel. Possibly the most pitiful example of a manager is the one who is by choice a "tough guy." To preserve his title he proceeds to bully and cajole his organization until no one is able to concentrate on any job. The other extreme—total laxity of discipline—is equally fatal. The manager who never expects anything from his organization will never be disappointed. An enthusiastic manager will inspire an organization to enthusiasm.

Another type of manager is the "temperamental" one in whose organization the employees ask "how does the boss feel today?" This man's varying moods will be reflected among the employees. It is, therefore, of the utmost necessity that the man

similar jobs; he must realize that good work contributes to the stability of his employment. By Hugh W. Wright. *Factory Management and Maintenance*, June, 1936, p. 208:2.

Sales Training Course for the Dental Trade

A manual for use in training salesmen in the dental trade by the conference method. The main divisions are: Sales Practice Guide; Store Manual; Merchandise Manual; Teeth and Talk; Equipment Manual; Sales Conference Guide. Ray E. Munn, Editor in Chief, *American Dental Trade Association*, 1935. 244 pages.

in charge be consistent, enthusiastic, inspirational and understanding. *The Syndicate Store Merchandiser*, April, 1936, p. 12:2.

Plymouth Larns 'Em

All 12,000 Plymouth Motors dealers are sending their mechanics to school to learn how to be better servicemen. By talkie films they will study, in their own shops, such technical subjects as collision repairs, clutch and transmission, motor tune-up.

After the course, written examinations will be conducted by factory representatives, and the test papers forwarded to Plymouth's Service Department in Detroit. Papers are to be graded there. Those who flunk will get another chance.

"Every service man who attains passing grades will be a highly skilled specialist in modern automotive maintenance," says J. C. McCrimmon, Plymouth director of service.

Educators rated sound-film instruction many times more effective than text-books. Therefore that method was adopted for the Plymouth "School-rooms." *Sales Management*, May 1, 1936, p. 698:1.

MARKETING MANAGEMENT

Research in the Marketing of New Industrial Products

Gradually manufacturers have come to realize that detailed market studies in the industrial fields are fully as important as are market studies in any other consumption market.

It has become more and more apparent that to limit the analysis of a market purely to the potential customer, as was the habit in the past, is to produce a warped and generally inaccurate conclusion. The first market survey should be designed to limit the size of the market to those industries and to those geographic areas where business may be obtained at a profit to the manufacturing organization. Likewise, the survey of competition for size, location, ability, and combativeness may very radically alter the entire marketing prospects.

Of equal importance to the location, size, and characteristics of the potential market are the channels of distribution which the manufacturer must use to feed his merchandise into the markets. The market's potential buying capacity alone will not determine this, the manufacturer must give consideration to the buying habits of the market and his own relation to that market.

In today's market research activities in the industrial field, it is necessary to consider the entire sales promotion program in all of its angles in the light of market facts. Likewise every question in connection with the organization and management of the manufactur-

er's sales force must be answered with due regard to the whole marketing problem. Perhaps the most important factors which eventually affect marketing, and which generally have been neglected by research specialists, lie in those factors affecting the use of production labor. There is always the possibility that the labor already on a manufacturer's payrolls will be unable to produce a new product economically.

Today, the manufacturer who is engaged in marketing his products to industry must operate on facts alone if his merchandising is to be successful and profitable. The only road to those facts is the road of competent market research. By O. C. Holleran. *Market Research*, December, 1935, p. 3:3.

Seller's Liability for Implied Warranty of Fitness of Equipment

In the sale of industrial machinery and equipment, the question of its implied warranty of fitness for the buyer's purpose has been a prolific source of litigation. Out of this welter of whereases and wherefores the subject may briefly be summed up as follows:

Whether the sale of machinery or equipment carries an implied warranty of fitness will usually be a question of fact. If the buyer has merely ordered or contracted for the same, acting upon his own judgment, there will usually be no implied warranty of this kind.

On the other hand, where the buyer has stated his needs and purpose and relies upon the judgment of the seller

as to fitness, the latter's assurance on this point will, as a general rule, create an implied warranty. By Leslie Childs. *Industrial Marketing*, June, 1936, p. 14:2.

Functions of Direct Mail Advertising

The manufacture of a little thing like a metal or molded cap might not seem particularly inspiring. On the contrary, it is a business full of interest and of drama, of struggle and of achievement to the Anchor Cap and Closure Corporation.

Anchor refuses to believe that the advertising job is done when a particular type of cap is described and its mechanical features explained. They have always felt that education was needed, new uses were to be developed, confidence was to be built up, and a crying need existed for stirring the packager out of the lethargy that opposes change and modernization.

After making an analysis of their business it was discovered that their approximately 10,000 really good prospects and customers were scattered far and wide, both geographically and in types of business. This called for direct mail advertising, abetted by trade paper space. Direct mail advertising which can vary from humorous cartoons to dramatic photographs, from story telling to descriptions of particular caps, or can confine itself to broad editorial writing, performs these functions: Obtains a greater share of existing business from concerns using competitive products; builds new business; keeps present customers sold; sup-

ports the salesmen. By J. H. Gilluley, Advertising Manager, Anchor Cap and Closure Corporation. *Executives Service Bulletin*, Metropolitan Life Insurance Company, June, 1936, p. 5:2.

Operating Results of Department and Specialty Stores in 1935

Earnings in both dollars and percentage of net sales for the typical department store in 1935 showed further recovery from the low levels of the depression. For 1935, net business profits among department stores typically amounted to 3.4 per cent of sales and among specialty stores to 2.9 per cent.

In the case of both department stores and specialty stores, improvement in earnings was due to the fact that sales in 1935 showed a further increase which amounted to about 5 per cent of 1934 sales; while gross margin rates were approximately the same as in 1934 or slightly higher; and expense rates were lower. The year was marked by more favorable general business conditions than have prevailed in recent years but estimates indicate that the physical volume of goods sold increased more in 1935 than did dollar expense; and this suggests that the better earnings were due partly to more effective control of costs.

The large department stores showed higher percentage earnings in 1935 than the small department stores. This represents a reversal of the situation prevailing in 1933 and 1934 when small stores reported about the same percentage earnings as large stores, and a return to the conditions prevailing

gener-
rates
store
A
and
ordi-
from
of c

Sale

Th
spen
all s
famil
sales
on w
ing.
of th
count
33 1/3
is de
curat
divid
1936,

Wha

W
first
with
groce
dome
the l
overs
Brad
Man

Ad
can l
with
looki
inten
plans
and c
sible
a me

generally prior to 1933, when earnings rates tended to be largest for large stores and to vary closely with size.

Aside from this relation between size and earnings, the most profitable stores ordinarily get their advantage chiefly from lower than average percentages of expense, although commonly they

show some advantage in margin rates. It seems clear that among stores of all sizes exceptional profit clearly is associated with all-around good management. Bureau of Business Research, *Bulletin No. 100*. Harvard University Graduate School of Business Administration, May, 1936. 38 pages.

Sales Management Survey of Spending Power

This survey reveals the total amount of spendable money income in 1935 from all sources, for counties and cities; urban family median incomes; passenger car sales and registrations, and other data on wealth, incomes and standards of living. A particular feature is an estimate of the urban family median incomes in all counties whose urban population comprises 33⅓ per cent or more of the whole. This is designed to give an approximately accurate picture of how total income is divided. *Sales Management*, April 10, 1936, p. 491:74.

What Happened When We Lost 40% of Our Sales Volume

When Morten Milling Co. began their first aggressive advertising and backed it with specialty selling methods for staple grocery products, they found lucrative new domestic markets which quickly replaced the business they once had enjoyed from overseas. Based on an interview by Ann Bradshaw with Finis E. Cowan. *Sales Management*, May 1, 1936, p. 681:3.

For Closer Coverage

Adequate coverage—if coverage ever can be adequate—insures adequate contact with the market. It insures against overlooking sales opportunities. It insures the intensive employment of merchandising plans. It insures the development, by close and careful nurturing, of the greatest possible number of potential buyers. Through a medium of communication that is direct

and rapid, it enables the management to keep itself informed about such highly important matters as customer acceptance, customer indifference, and customer hostility. It insures against surprise invasion by competition. And, in the quick-stepping tempo of a business upturn, adequate coverage by the salesmen helps the credit department to keep in clear focus the ever-changing picture of credit risk.

The junior-salesman plan is one way of getting coverage. In general, the method operates like this: Senior salesmen carry quotas. To every senior is assigned at least one junior. The junior, who works without quota, draws a salary, paid to him by his senior; and the senior draws a commission, not only on his own sales, but also on his junior's sales. To the senior is assigned the responsibility for the junior's sales-training and for such soul-wrestling as the junior's morale or his outlook on life may require. This plan has produced and is producing a growing army of mighty good men. Though useful, it is by no means universally applicable. Forward-looking planners will however keep in mind this method's two major purposes: closer coverage today and better man power tomorrow. By Arthur H. Little. *Printers' Ink*, May 21, 1936, p. 15:4.

Packages Help Make Products

The Campana Sales Company, Batavia, Ill., introduced its new package carefully. It was tried out on a small volume item and the package change was not widely advertised. At the end of six months this item had shown an increase of 123

per cent. Now all sizes have this same container. By I. Willard Crull. *Executives Service Bulletin*, April, 1936, p. 5:3.

Is There a Place for Philosophy in Industrial Selling?

The sales methods of the Safety Belt Lacer Company, Toledo, Ohio, follow rather closely the established practices of dealer relations, cooperation, promotion, sales helps, maintaining of list prices, etc., shunning only such sales promotion ideas as seem artificial and temporary in their effect, such as bonuses, prize contests, etc.

The net result of the 1935 effort, according to the sales manager, was an increase of more than three times the amount showed by industry as a whole, among

those gains being the addition of well over one hundred new distributing outlets. The company proceeds on the theory that a sold distributor, who comes in on the basis of acknowledged merit, always will be a better producer than that distributor who stocks only under the pressure of demand. Experience has shown that the mental attitude of the first will result in more interested and sustained effort than that of the second. By Herbert H. Stalker. *Industrial Marketing*, May, 1936, p. 17:2.

The Sales Manager Proposes

This is a one-act play in which the sales manager gives all the arguments for scientific market analysis and market research. By George W. Kelsey. 1936. 24 pages.

Salesmanship

New Ideas in Selling

Some years ago a New York paper company hired a \$30-a-week salesman in the course of its regular routine and put him out on the street, thinking he might bring in a few stray orders through cold-turkey canvassing. Strolling down Broadway seeking some worlds to conquer, the young salesman saw the sign of a large express agency. "These people must use a lot of paper," he thought. "As good a place to start as any."

He got in to the purchasing agent. The purchasing agent was just about to place the order for the company's annual supply of blotters. The young salesman had his samples and prices with him and he walked out of there

with an order for a carload and a half. Going back to his office at noon he turned in the order, then went out on his afternoon rounds. Next morning he found an invitation from the head of the firm on his desk, asking him to have luncheon with him.

"That was a good order you turned in yesterday," the boss remarked that noon.

"Glad you think so," said the youngster. "To tell the truth I was kind of pleased with it myself."

"It was so good," pursued the boss, "that it's the largest single order that we've ever had. None of us had ever thought to solicit that company's business before." *Nation's Business*, July, 1936, p. 54:1.

Dramatized Selling

The general sales manager of the American Type Founders Company maintains that advertising and selling of durable goods might well be removed from the

hum-drum and remote—that the principle of mass selling and dramatic merchandising can well be applied. "Using these methods," he writes, "our sales started climbing with their inception in 1933 and

hav
sho
wit
inte
Exe
p. 7

C
B
blan
tric
cro
prin
and

Pro
H
si
18
T
of
nu
enc
193
um
Chi
Mo
nol
Ber
Osc
Las
Gor
T
pag
Pro
tica
tran
tion
Jas
gan
Pro
Gov
T
to
wh
emp
ship

have continued to climb. We now are showing a sales increase of 138 per cent, with lowered sales ratios that are equally interesting." By Harry W. Alexander. *Executives Service Bulletin*, April, 1936, p. 7:2.

Curing the "Order Blank Blues"

Buyers usually object to signing an order blank because all too often they have been tricked into "signing on the dotted line" by crooked salesmen with one-sided contracts printed in small type, fake stock operators and shady real estate promoters.

Mr. Bigelow points out that this fear can be antidoted by bringing the order blank out into the open early in the interview, long before it is needed as a tool of closing. If it is possible to use the order form as a source of information, all the better. Read from it, pull it over into the prospect's line of vision, point to it, refer to it. Make the order blank very definitely a part of the explanation process and the prospect will not be frightened with it when you begin to use it as part of the closing process. By Burton Bigelow. *The Red Barrel*, April 15, 1936, p. 26:3.

Survey of Books For Executives

Propaganda and Dictatorship. Edited by Harwood L. Childs. Princeton University Press, Princeton, New Jersey, 1936. 153 pages. \$1.50.

This collection of papers is an outgrowth of round-table discussions during the annual meeting of the American Political Science Association at Chicago in December, 1934. The contributors to the present volume were among those participating in the Chicago conferences. They include: Fritz Morstein Marx, Harvard University; Arnold J. Zurcher, New York University; Bertram W. Maxwell, Washburn College; Oscar Jaszi, Oberlin College; Harold D. Lasswell, University of Chicago; George E. Gordon Catlin, England.

The various chapters include: State Propaganda in Germany, by Mr. Marx; State Propaganda in Italy, by Mr. Zurcher; Political Propaganda in Soviet Russia, by Bertram W. Maxwell; The Ideologic Foundations of the Danubian Dictatorships, by Mr. Jaszi; The Scope of Research on Propaganda and Dictatorship, by Mr. Lasswell; Propaganda as a Function of Democratic Government, by Mr. Catlin.

The questions that the contributors seek to answer are: In what respects and to what extent is state propaganda as exemplified in present-day European dictatorships different from official propaganda in

the past? What are the limits, if any, to conscious opinion management when reinforced by the wealth and physical resources of a state? Does the rise of mammoth propaganda machines in so many European countries indicate that the democratic ideal of freedom of opinion dissemination and opinion leadership has been outmoded? In the light of recent European experience, where, in democratic countries, should the line be drawn between the desirable use of propaganda by state officials, and its undesirable use?

Canadian Trade Index 1936. Canadian Manufacturers' Association, Toronto, Canada, 1936. 842 pages. \$6.00.

This book includes an alphabetical and classified directory of over 9,000 Canadian manufacturers, an export section giving details of government service, export procedure, selling costs and financing, and an export produce section containing a list of Canadian exporters of agricultural products.

The volume will be of value for firms in the United States desiring to market their products in Canada, and to importers who may wish to locate Canadian sources of supply for agricultural produce, raw materials and manufactured goods.

Philippine Independence. By Grayson Kirk. Farrar & Rinehart, Inc., New York, 1936. 278 pages. \$2.50.

Is the United States wholly altruistic in granting independence to the Philippines? Where will the Philippines be after the Independence Act goes into effect? Economically they may be ruined. Politically they will drift.

In this book, written as a case study in the motivation of contemporary national policy, the author makes no secret of his belief that the fundamental problem is yet to be solved.

Advertising and Selling Industrial Goods. By Vergil D. Reed. The Ronald Press Company, New York, 1936. 287 pages. \$3.50.

This book was written for the use of advertising and sales executives for the avowed purpose of setting forth methods, applications and workable plans which have been tested out in practice in industrial advertising, rather than to expound theories. Frequent reference is made to actual advertising experience but the names in some company references are fictitious.

The author does well to stress a frequently overlooked fundamental, "The advertising campaign is but a part of a complete marketing plan. It is not the plan."

The author is sound in pointing out that industrial markets are at the mercy of the consumer. A good market for industrial goods cannot exist simultaneously with a poor consumer market.

In industrial advertising, personal

gratification of the consumer is replaced by the profit motive of the producer. Appeals to the emotional motives used in marketing consumer goods must be replaced with rational appeals to calculating and discriminating trained buyers, necessitating more factual advertising.

Considerable duplication of sales and advertising effort is necessary in industrial advertising inasmuch as purchase of industrial goods is usually influenced by several members of the purchasing organization, rather than being the problem of the individual, as found in consumer goods. This necessitates a careful study of the purchasing organization in order that advertising may reach as many of the individuals influencing the sale as possible.

The necessity of preserving the identity of industrial goods is well covered. The further identity can be carried through to the ultimate consumer, the sounder is the result attained. Considerable advertising can well be directed toward establishing such identification.

A particularly valuable chapter is devoted to buying motives and advertising appeals, including an original analysis of the type of appeals used in 3,600 industrial advertisements covering a period of ten years. The four most commonly found appeals were efficiency, economy, institutional, and quality. Excellent chapters cover Analyzing the Industrial Market, Organization for Industrial Advertising, The Catalogue and Its Use, two chapters on Media, a sound chapter on Industrial Copy and Art Work. Several typical industrial campaigns are de-

scribed. Other chapters are devoted to The Advertising Agency in Industrial Advertising and Consumer Tie-up for the Industrial Product. References of actual experiences are made to such well known concerns as—Owen Bucket Co., The Budd Jack Co., The Newton Steel Fabric Co., American Stainless Steel Co., International Nickel Co., Paterson Parchment Paper Co., and American Rolling Mill Company. The book includes an excellent bibliography and is well indexed.

CARLE M. BIGELOW,

The Calco Chemical Company, Inc.

How to Use Psychology in Business. By Donald A. Laird. McGraw-Hill Book Company, New York, 1936. 378 pages. \$4.00.

Everyone is talking about "psychology." There are now numerous popular magazines on the stands whose titles include the word. Business men are constantly being told that to keep abreast of changing times they must apply psychology in their organizations. Dr. Donald A. Laird has written a number of books, and his latest one, "How to Use Psychology in Business," has much that will stimulate any reader, especially the business man.

Dr. Laird is a psychologist who has taught in a number of leading universities. Since 1925, he has been in charge of the Psychological Laboratory at Colgate University. He is a consulting psychologist for numerous industrial concerns, and is the author of several books in his field.

In this new book, the chapter titles themselves are stimulating: "Ability to

Get Along with People," "How Much Brains for the Job?" "Can the Ordinary Person's Judgment Be Trusted?" "Controlling the Noises of Business," and most stimulating of all, "Those Who Can Lead in Business."

Dr. Laird's book displays a wide range of interest and information. He has assembled the wisdom of scores of business men, psychologists, research workers and others in innumerable quotations. A good index helps point the way to further reading along lines that may have interest for the reader. Everything he says is buttressed with authoritative references.

Dr. Laird does not go deeply into any point because he has written for the lay reader. Therefore, the book is easy and interesting, not only for the business man, but also, perhaps, for many already somewhat familiar with the literature of psychology and scientific management. He has quoted liberally from the leading authorities, including Taylor and Gilbreth. The book is enriched with many pictures, tables and diagrams. It is so up-to-date that we find a quotation from Dr. Howard Haggard in his physiological research of last year, which showed the benefits of five meals a day as against three. In a sense, the book may be considered a "Reader's Digest Compendium" of assorted wisdom.

An interesting chapter is "Ability to Get Along with People," which contains a chart describing how to evaluate your character traits with a view to improving your ability to deal with others. Every reader could study this chapter carefully with benefit. There

is even a self-administering questionnaire, designed to help to determine how lazy you are!

Dr. Laird has written his book for the average man and woman in business. The book is not addressed to psychologists and makes no pretense of being precise and orthodox in that field. Nevertheless, he has written soundly and presented his wealth of material in a manner that makes it most readable for the business man. He has explained and justified industrial psychology in the terms of the business man. He is practical, definite and understandable. In view of the increasing importance of human relations in business, Dr. Laird has done a good service to business, as well as industrial psychology.

EDWARD N. HAY, *Personnel Director*,
The Pennsylvania Company.

Group Leadership: With Modern Rules of Procedure. By Robert D. Leigh. W. W. Norton & Co., Inc., New York, 1936. 259 pages. \$2.50.

Mr. Leigh is the president of Bennington College. He writes for the presiding officers of meetings of any size from the small committee up to the large convention assembly. The only line drawn in his selection of groups is that they shall be voluntary groups and shall be concerned with discussion leading to action. This excludes the whole field of official governmental groups and the equally large field of groups meeting for educational purposes. It does cover business groups such as boards and committees as well as the large range of committee meetings, conferences and conventions of all

kinds of associations, lodges, clubs and the like.

President Leigh draws upon the experiments and studies of The Inquiry group for much practical material as well as for the category which underlies his choice of material, that is the purpose of securing the emergence through group discussion of an agreement or consensus rather than an arbitrary majority victory.

The authoritarian basis of "parliamentary procedure" has been rejected and only such rules of order are retained as are based upon experience, reasonableness and common sense in securing the desired result of avoiding a debate or contest and arriving at a group-made solution of a problem.

The discussion opens with a chapter on individual problem solving, which is followed by chapters on small group deliberation, the conduct of large meetings, devices for securing special action for special purposes and finally the problems of setting up the organization of groups of various kinds. The appendix gives a set of modern rules of procedure. Finally there is a section on Aids and Sources including a brief classified book list.

The book will be practical and helpful both for those who have to act as presiding officers of the type of groups discussed, and for those who are to participate in the deliberations of such groups. It would be a happy chairman whose group was made up of persons who had read and assimilated this book, and the chances of accomplishment of its purposes by such a group would be greatly increased. L. P.